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THE RICHEST ENTERTAINERS

ELVIS PRESLEY DIED IN 1977. GUESS HOW MUCH HE WILL EARN THIS YEAR?

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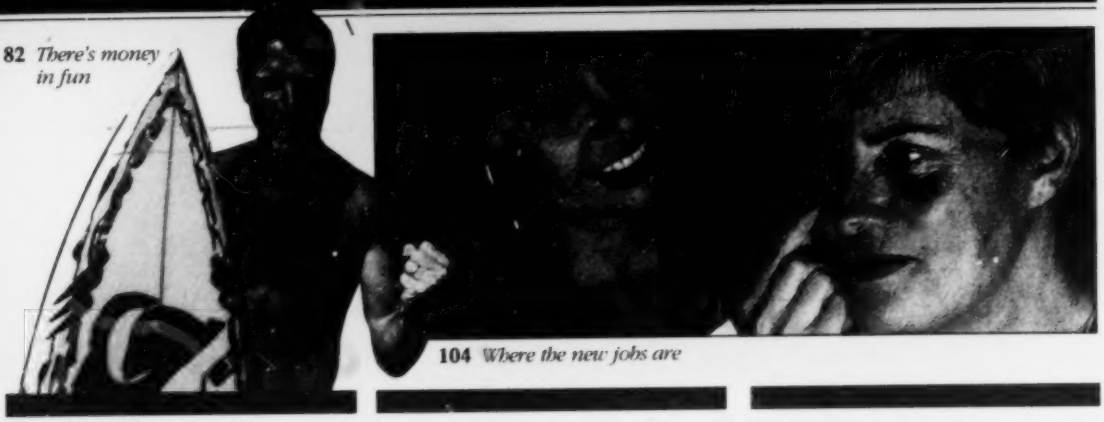

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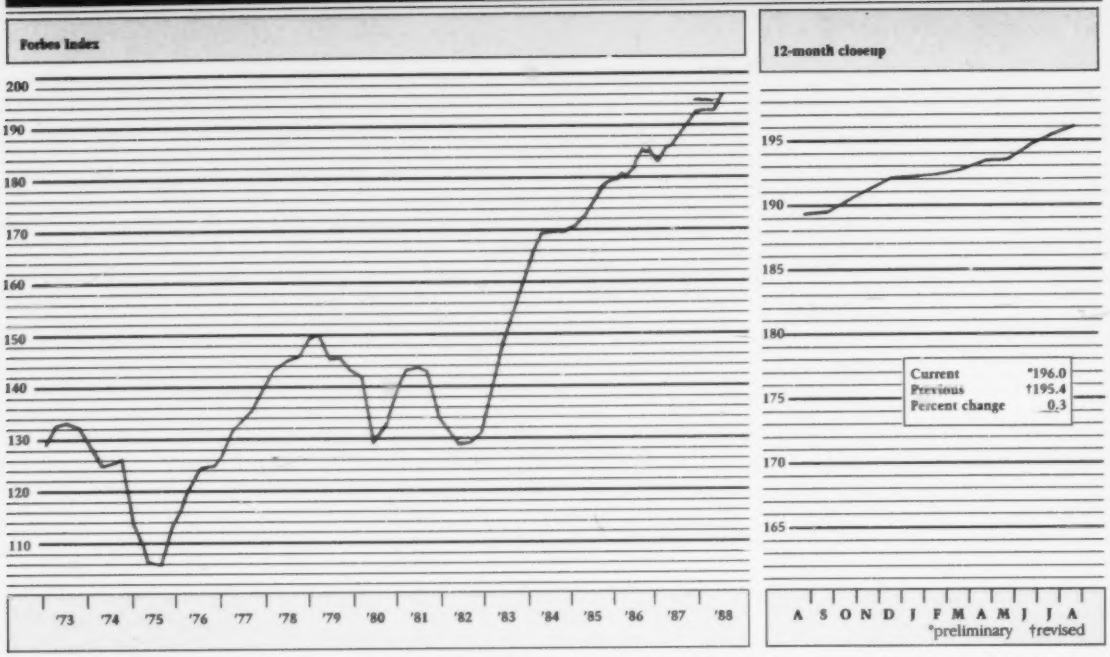
The Forbes Index

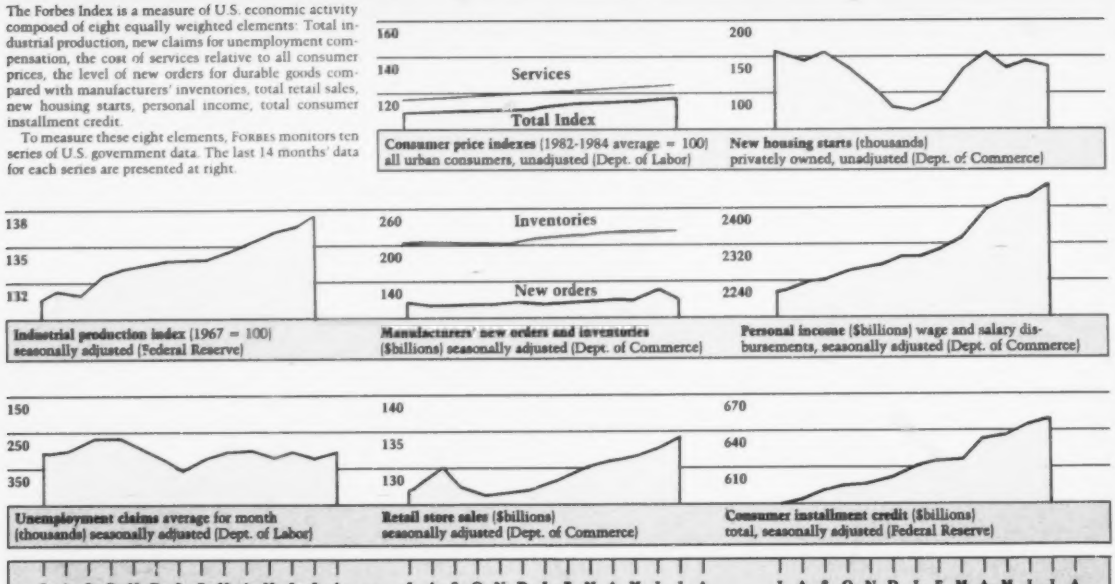


Uneven results. The Forbes Index ended July with a 0.3% month-to-month gain, but the overall number covers decidedly mixed trends in several components of the Index. New claims for unemployment insurance fell 6.3% in August, but the overall unemployment rate climbed 0.2% during the same period, as factory payrolls declined for the first time since January 1987. Manufacturers' inventories rose in July by 0.7%, but new orders dropped 7.1%. One factor in the decline was higher prices of raw materials and parts. July retail sales were up 0.5%, a small gain from June, while consumer installment credit fell 0.4%, down almost 0.9% from the previous month. Consumers would appear to be curbing their use of credit more than their buying habits.

The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.


160
140
120
Services
Total Index
Consumer price indexes (1982-1984 average = 100) all urban consumers, unadjusted (Dept. of Labor)
200
150
100
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)
138
135
132
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)
260
200
140
Inventories
New orders
Manufacturers' new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)
2400
2320
2240
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)
150
250
350
Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)
140
135
130
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)
670
640
610
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)
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Insurance companies are teaming up with mutual fund houses to sell you variable life and annuity policies. Here are some things the salespeople may not tell you.

If you don't understand it, don't buy it

By John R. Hayes

JOSEPH RAFFERTY, a retired California citrus farmer, is one unhappy man. Last year Rafferty asked his broker to recommend a tax-exempt investment for $50,000 he had received from a mortgage payment. Instead of suggesting a tax-exempt bond, say, or a fund that invests in tax exempts, the broker put him into Prudential's Conservatively Managed Flexible Portfolio, a mutual fund investing in stocks and bonds. The broker told him the fund should return 6% to 14% annually, tax exempt. On top of that, the investment came with a life insurance policy that would pay his wife over $100,000 when he died. "Sort of like frosting on the cake," says Rafferty.

One year later, instead of a 6% or 14% gain, Rafferty's investment showed a loss of $757.25. Disenchanted, he considered cashing in. Prudential said fine, but there would be an 8% exit fee.

Welcome to the problematic world of variable life and variable annuity policies. These are hot items lately, chiefly because there is indeed a tax angle to them. But it's not the straightforward exemption Rafferty envisioned. In short, in the already complex world of life insurance, variable policies add yet more complexity.

Insurers began pushing variables harder as whole life policies, with their fixed returns, became tougher to sell to people worried about inflation. Variable policies promise no fixed or minimum return, but no ceilings, either. The policyholder decides where to invest his premiums. (Variable annuities differ from variable life in the same way that any annuity differs from a conventional life insurance policy—the policyholder gets a lump sum, or a series of payments, at a future date, rather than his beneficiary's getting the money on his death.)

The tax angle, as such, is straightforward—as the investment portion of the life and annuity grows, taxes are deferred. If a life policyholder dies, his beneficiary will pay no tax on the death benefit. Taxes get paid on annuity policies as the money is distributed, possibly at a lower rate after retirement.

Brian Aghar

So there's nothing wrong, in theory, with variable policies. Like any other investment strategy, they have strengths and weaknesses. Trouble is, as Joseph Rafferty learned too late, they are too often oversold, misrepresented, or both. And even the most scrupulous sales pitch can be misconstrued by people with short attention spans. Anyone contemplating a variable policy had better get two things straight.

First, the returns on such policies do indeed vary *(see table, p. 102)*. The future payout depends on the performance of the underlying investments—and last October taught us all how unpredictable that is. Typically, policyholders get a choice of stock, bond and money market mutual funds. If you buy Nationwide Life Insurance's Best of America II variable annuity, for example, you may choose among 13 mutual funds managed by five investment companies. Integrated Resources even sells an annuity backed by commercial real estate mortgages.

Second, as Rafferty discovered, investors who surrender their policies will be charged for the privilege. Annuities are usually sold without sales loads, but insurance companies do penalize holders for early withdrawal. Penalties start anywhere from 5% to 10% in the first year and gradually step down, over five to ten years, to nothing. In early years, then, those penalties will more than wipe out anything saved on the tax deferral. In addition, the IRS will impose a 10% tax penalty on an annuity surrendered before age 59½.

In our view, investor Rafferty was steered into the wrong kind of investment—for him. But for some people variable policies are a good deal. They are among the last surviving tax shelters, and insurance companies and mutual funds are pushing them hard. (Keep in mind, however, that Congress may curtail this tax advantage.)

Picking a variable on the basis of performance is a daunting task. In showing how your money might grow, sales folks can be virtuosos at juggling assumptions to illustrate hypothetical cases.

Transferring the risk

Buy a variable life or variable annuity policy and the insurance company lets you decide how to invest the premiums. Pick the right mutual fund and you may do better than you would have done with a whole life policy. (Caution: Exit fees will kill you if you surrender too early.) Pick the wrong mutual fund and you'll be looking at mighty small retirement payments down the road. Performance figures below relate only to variable annuities; variable life policies include charges that vary with individual policyholders.

	Total net assets ($mil) 6/30/88	5-year average annual return[2]	Product
Stock funds			
Best			
Nationwide Variable Account II Common Stock	$156.6[3]	15.9%	VA
Guardian Park Avenue Fund[1]	184.5	15.5	VA
Guardian Stock Fund	179.4	15.1	VL & VA
Worst			
Value Line Special Situation[1] (Guardian Life)	1.0	–4.4	VA
Variable Annuity Fund I of Southwestern Life[1]	6.9	2.4	VA
Security Benefit Life Fund Series A	127.6	3.3	VL & VA
Bond funds			
Best			
Kilico Income Separate Account	114.5	14.6	VA
Northwestern Mutual Life Bond Fund	35.9	12.4	VA
Equitable Trust Bond Portfolio D[1]	3.8	12.2	VA
Worst			
Value Line Income Fund (Guardian Life)[1]	5.0	7.1	VA
Hartford Variable Annuity Fixed Income	50.1[3]	9.1	VA
Nationwide Variable Account II Bond Fund	63.2[3]	9.2	VA
Balanced funds			
Best			
Northwestern Mutual Life One Fund	941.0	11.6	VA
Hartford Variable Annuity Adviser's Fund	239.6[3]	11.4	VA
Security Benefit Life Fund Series B	84.6	11.3	VL & VA
Worst			
Kilico Total Return Separate Account	213.3	7.6	VA
Prudential Aggressively Managed Flex. Portfolio	1,153.2	9.5	VL & VA
Prudential Conservatively Managed Flex. Portfolio	862.6	9.8	VL & VA

[1]Sale of related insurance product may be restricted. Fund may still be open to qualified insurance and noninsurance investing. [2]Relates to variable annuities only, net of all fees as of 6/30/88. [3]As of 12/87.

Sources: Lipper Analytical Services, Forbes

Rick Carey, president of Miami-based Financial Planning Resources, has spent 18 months developing a database to compare risk and performance of variable annuity products. Complicating his task are about ten insurance companies that choose not to cooperate with him. "Insurance companies have a tough time understanding the fishbowl approach to securities," Carey says. "If you're going to play in the securities game, you ought to disclose everything, but many agent-only companies won't give you data."

Where there is data, the numbers don't always mean what they seem. Buy an annuity and your entire premium will be deposited in the fund of your choice. But don't look at the fund's net asset value to measure your investment's performance. Net asset value will report what happens to your money after the fund manager takes his fees—maybe 60 basis points. It won't show the extra point or so charged by the insurance company to cover claims and administration costs. Instead, look for something called "accumulation unit value"—the real bottom line.

Measuring the performance of a variable life investment presents a further problem. First there's usually a sales load, often taken gradually over five or ten years. Then there's the cost of insurance. Insurance companies will either deduct that up front from the premium or take their time about it through daily or monthly charges against the account. Either way the charge is based on actuarial risks that differ from policyholder to policyholder. Beware, then, of all generalities about variable life policy returns: Results will vary with individual investors.

For all these difficulties, one thing is plain: Performance varies all over the map. Guardian Life sells one of the best performers in the business, the Guardian Stock Fund. It has also put policyholders into one of the worst, the Value Line Special Situation Fund. (The fund is no longer offered with an insurance wrap; the 1982 tax act mandated no mixing of insurance assets with regular mutual fund assets.) Sticking stubbornly to that fund has cost investors 20% in five years. But even good past performance is no guarantee of future performance.

Glenn Daily, an insurance analyst at Seidman Financial Services, thinks that a variable life policy can be an effective way to increase your estate and pass it tax-free to your heirs. But for straight insurance value, Daily says, stick with traditional cash value policies or term insurance, which are currently priced better.

Daily also cautions investors to be wary of illustrations that show variable annuities outperforming a straight mutual fund investment. Insurance agents often amplify the tax disadvantages of the mutual fund and ignore the possibility that Congress may change the rules of the game. Or that the investor may change his own mind later.

It's all quite complicated, and, under the circumstances, about the best advice we can give the average investor is that if you don't understand how these things work and what the drawbacks are, don't buy them. You would be better off sticking with straight life and investing the difference in a good mutual fund selected from Forbes' annual survey *(Sept. 5)*. ■

It used to be you hoped Grandpa would leave you a piece of an oil well. Now you'd rather he left you some "intellectual property"— a piece of a marketable entertainment image.

The new aristocracy

By Peter Newcomb

In January of this year Woody Allen, the talented but neurotic filmmaker, filed a lawsuit against Men's World clothing store in New York. The store had run an advertisement with a photo of an Allen look-alike. The decision, handed down by a Manhattan federal judge, ruled in favor of Allen, saying the look-alike "evoked the 'schlemiel' persona Allen cultivated up through his appearance in *Annie Hall*." The court felt that this sad-sack persona was Allen's sole intellectual property.

Five months later in California, Bette Midler, the buxom, brassy songstress and film star, won reinstatement of a similar case against the Ford Motor Co. for a TV commercial that seemingly attempted to duplicate Midler's distinctive voice—thus appropriating her intellectual property.

Intellectual property. As the concept broadens—it originally covered only copyrights, patents and ideas—so does the wealth of the entertainment community, which is fast becoming one of the biggest generators of capital in the U.S. economy. Today an entertainer is no longer just paid a fee for his or her work but retains an ownership in an image, a style, and can derive a continuing stream of income from it.

Illustrations by Robert Grossman

Pop star George Michael wisely left Wham! for a solo career. His debut album, *Faith*, has sold over 15 million copies worldwide. An accompanying world tour should help Michael earn over $36 million this year.

It wasn't always thus. Witness the 1979 suit filed by the heirs of horror star Bela Lugosi against Universal Pictures. The Lugosi heirs felt that portrayals of Dracula, the vampire character made famous by Lugosi, infringed on their rights to the character. The courts ruled in favor of Universal on the grounds that Lugosi had not merchandised himself while alive and that, therefore, his heirs could not claim the exclusive rights to do so now.

This attitude changed when, in 1982, a decision in favor of the Martin Luther King Center for Social Change and against American Heritage Art Products came out of the Georgia Supreme Court. The business firm (no relation to *American Heritage* magazine) had been selling a plastic bust of Reverend King. The King opinion said the older verdict was ridiculous, because King would have had to market T shirts and other memorabilia while he was alive in order to protect his rights after he was dead. This decision helped define the concept of intellectual property.

The question of whether this protection is fair or not will be answered on legal battlefields in years to come. Arguments and legislation pervade all areas of the topic. Los Angeles attorney Fredric Leopold, for one, doesn't like the law. Among his clients is comedian Rich Little. Little is an impersonator. Under debate now is

The top 40

Below, the entertainers making the most money; nowhere else, with the possible exception of Wall Street, are so many making so much.

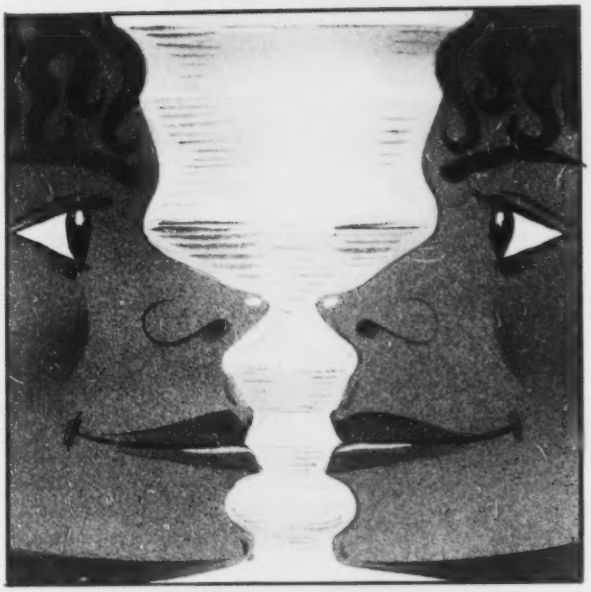
Rank 1988	Rank 1987	Star/age/*occupation*	Gross income 1987 ($mil)	Gross income 1988 ($mil)	Two-year total
1	9	**Michael Jackson**/30/*pop singer*	37	60	97
2	1	**William H. Cosby Jr.**/51/*actor, comedian, author*	57	35	92
3	6	**Steven Spielberg**/40/*movie producer, director*	23	41	64
4	2	**Sylvester Stallone**/42/*actor, writer*	21	42	63
5	5	**Eddie Murphy**/27/*comedian, actor*	27	35	62
6	4	**Charles M. Schulz**/65/*cartoonist (Peanuts)*	30	32	62
7	3	**Bruce Springsteen**/38/*rock singer*	27	34	61
8	35	**Mike Tyson**/22/*boxer*	10	45	55
9	7	**Madonna (Louise Ciccone)**/30/*pop singer*	26	20	46
10	15	**Arnold Schwarzenegger**/41/*actor*	18	25	43
11	11	**U2**/*rock group (4 members)*	29	13	42
12	10	**Johnny Carson**/62/*tv host, producer*	20	20	40
13	—	**George Michael**/25/*pop singer*	2	36	38
14	40	**Oprah Winfrey**/34/*tv host, producer*	12	25	37
15	13	**Jim Davis**/43/*cartoonist (Garfield)*	16	20	36
16	14	**Bon Jovi**/*rock group (5 members)*	19	15	34
17	8	**Whitney Houston**/25/*pop singer*	24	6	30
18	23	**Paul Hogan**/46/*movie actor*	10	19	29
19	—	**Pink Floyd**/*rock group (3 members)*	14	15	29
20	37	**Julio Iglesias**/44/*pop singer*	4	24	28
21	34	**Sugar Ray Leonard**/32/*boxer*	13	14	27
22	16	**Kenny Rogers**/49/*country singer*	16	10	26
23	22	**Stephen King**/41/*novelist, screenwriter*	15	10	25
24	—	**Tina Turner**/48/*singer, actress*	21	4	25
25	25	**Tom Selleck**/43/*tv and movie actor*	11	14	25
26	17	**Van Halen**/*rock group (4 members)*	3	22	25
27	—	**Andrew Lloyd Webber**/40/*composer*	10	14	24
28	—	**Sting (Gordon Sumner)**/36/*rock singer, actor*	10	14	24
29	20	**Prince (Rogers Nelson)**/30/*pop singer*	8	16	24
30	36	**Jane Fonda**/50/*actress, exercise maven*	5	18	23
31	—	**John Cougar Mellencamp**/36/*rock singer*	11	12	23
32	—	**Grateful Dead**/*rock group (6 members)*	11	12	23
33	33	**Steve Martin**/43/*comedian, actor*	10	12	22
34	29	**Jack Nicholson**/51/*movie actor*	11	10	21
35	18	**Wayne Newton**/46/*pop singer*	12	9	21
36	27	**Michael J. Fox**/27/*tv and movie actor*	9	10	19
37	21	**Billy Joel**/39/*pop singer*	12	6	18
38	—	**Michael Spinks**/32/*boxer*	5	12	17
39	26	**Bruce Willis**/33/*tv and movie actor*	8	9	17
40	—	**Frank Sinatra**/72/*singer, actor*	4	12	16

FORBES projections. Sources include record, film and television executives; entertainment lawyers; *Amusement Business*; *Video Marketing Newsletter*; *Billboard*; *Variety*.

whether or not Little can legally recreate the personas of certain celebrities, politicians and other public figures. If an advertising agency can't use a picture of a Woody Allen look-alike to push men's clothing, can Little use Allen's persona to sell his product, stand-up comedy? Leopold thinks he should be allowed to do so. "The art is in the impersonation, not in the person being impersonated," says Leopold. "The beauty is in the performance itself."

Maybe so, but for many people the money is no longer in the performance but in the aura the performance left behind. Elvis Presley may be moldering in the grave but his money machine keeps rolling on. When the King made his final, feet-first departure from Graceland in 1977, he left his heirs "intellectual" property far more valuable than the $5 million or so he left them in physical property.

Michael Jackson proved once again that he is pop music's reigning king. His album *Bad* has sold over 15 million copies.



It costs $7.50 for adults to see the splendidly excessive Graceland mansion with 384 visitors moving through its halls during peak hours. While they wait their turn, most visitors will spend another $11 across the street touring Elvis' airplanes, eating at the Heartbreak Hotel restaurant and buying postcards and coffee mugs. Elvis look-alikes stroll the area free of charge—with no encouragement from management—and middle-age groupies can mingle with Elvis' Uncle Vester, who sits and talks to customers in one of the seven gift shops.

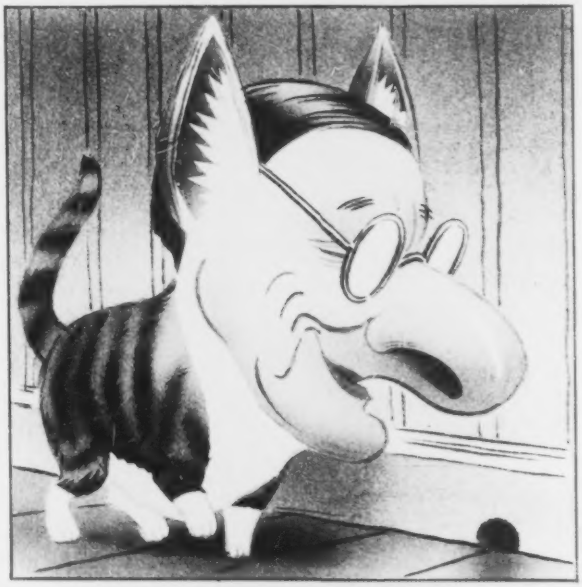
FORBES estimates that Graceland should bring Elvis' estate over $11 million this year. Not bad when you consider he bought it for $100,000 cash in 1957. "The return on equity is phenomenal," says Jack Soden, executive director of Graceland.

Elvis should get another $4 million or so this year from other sources. The biggest chunk comes from the licensing of Elvis' image on everything from ceramic masks to collector plates to commemorative lighters. The rest comes from music publishing and video and theatrical productions. The smallest contributor, and ironically the part that made Elvis king: records and movies.

All told, the Presley estate should gross some $15 million this year. If it were put on the market as an intellectual property, the estate could probably fetch $100 million or more.

And here's the real beauty of so-called intellectual property: Unlike run-of-the-mill real estate, say, or an oil well, this kind of property usually carries no overhead, no maintenance. What it brings in is almost pure profit. It is the nearest thing there is to an unencumbered source of wealth.

Elvis Presley has plenty of company. Crash-'n'-burn guitarist Jimi Hendrix, whose screeching rendition of "The Star Spangled Banner" still haunts FM radio stations on Independence Day, is selling between 2 million and 3 million records a year. Hendrix died in 1970, yet his *Live at Winterland* compact disc sold more than 200,000 copies over the last year. With licensing and music publishing, Hendrix' take should be over $4 million this year.



T.S Eliot needn't scuttle in his grave. His share of Broadway's *Cats* is earning over $2 million a year.

John Lennon is dead almost eight years, the Beatles disbanded longer, but Beatles and Lennon record sales go on and on. Last year the release of 14 Beatles compact discs brought worldwide sales to around 10 million copies. This year Lennon's estate probably should haul in some $5 million.

"People are hero worshippers," says attorney Leopold. "These [deceased] entertainers retain a strong hold on the minds of a lot of people who were around at the time."

But if the dead entertainers are raking it in, live entertainers are doing even better on this year's list of the Forbes Top 40 Entertainers. Number one is moonwalking Michael Jackson. On the tail of his enormously successful

Can you copyright a smile?

Owning a song is like owning an apartment," says Charles Koppelman, president of SBK Entertainment. "You can rent it, lease it or sell it."

Yes, but on the other hand new technology is complicating the protection of music and other forms of intellectual property. A hotly contested area of copyright infringement surrounds the practice known as digital sampling. Digital sampling occurs when an artist uses a computer to copy an excerpt of a song. In some cases the computer digitally replicates a voice or the exact tone of a note or series of notes in a given song. The artist will then layer that sample on top of his own recorded music.

Is this copyright infringement? Does it steal someone else's intellectual property? Entertainment lawyer Peter Paterno thinks it does. "What it means is that somebody can take something that might have taken weeks or months to create and duplicate it in 20 seconds with a microchip," says Paterno. "I think that is completely unfair."

Computers could soon be responsible for another type of copyright infringement: visual replication. The technology exists that would allow computers to take an image, say Marilyn Monroe, and recreate her likeness realistically enough to have her star in a movie. This would let the studios enjoy the benefits of having a big star without paying the stellar fees that usually accompany such big names.

But personality traits—voice, likeness, name, signature or image—are beginning to be considered assets tangible enough to merit protection in the courts. Enter California Civil Code 990. This code prohibits the use of likenesses of dead personalities. New York State Senator Emanuel Gold is sponsoring a similar bill in New York. "People can transfer corporate stock, they can transfer real estate, they can transfer their father's lumber business," says Gold. "They ought to be able to transfer the goodwill that their mother or father built up if they happen to have been in a celebrity-type business."

Gold is getting a helping nudge from licensing agent and attorney Roger Richman, who handles licensing of the image of Marilyn Monroe and others. He also helped write Code 990.—**P.N.**

record *Thriller*—a record that sold over 38 million copies—Jackson released the album *Bad*. And while not nearly as successful as *Thriller*, *Bad* has already sold over 15 million copies worldwide, resting comfortably on the charts at number 40, a full year after its release.

Jackson is a musical phenomenon. Last year FORBES tried to project what he would make in 1987. Our best guess was that by year's end Jackson would haul in some $31 million. We estimated that his tour in Japan would probably make him $5 million. We were wrong. The tour doubled our expectations.

This year Jackson embarked on a worldwide tour with over 140 scheduled dates. After his cut of T shirt and merchandise sales, Jackson should make over $40 million on the tour alone. Add that to income from sales of his autobiography, *Moonwalk*, Pepsi endorsements and other music publishing (including the Beatles catalog), and Jackson should earn at least $60 million this year. If he is not already a centimillionaire, he soon will be.

If Jackson has no rivals among rich entertainers, he does have plenty of company.

Newcomer George Michael leaped onto the list this year at the number 13 spot in earnings. His wildly successful debut solo album, *Faith*, has sold over 15 million copies worldwide.

After a long, strange trip, the psychedelic band the Grateful Dead [FORBES, *May 18, 1987*] makes the list this year. The Dead's bread and butter is live concerts. The band's rigorous touring schedule kept it truckin' across America to the tune of $23 million over the past two years.

If entertainment statistics were valid evidence of racial bias, one would have to conclude that blacks are privileged in our society; fully 25%—one in four—of the Forbes Top 40 are black. The list also knows no borders.

Hispanic? Madonna, Sting, Michael Jackson and Julio Iglesias all released records with lyrics sung in Spanish. "Right now you are looking at a Latin population in America that is proportionate to what the black population was when Motown took off," says musician and producer Jellybean Benitez. "You're looking at Latins who have already assimilated into the culture and have discretionary incomes. And they are purchasing records."

It's a new world out there. No longer are steel mills or auto factories or oil wells the principal sources of great wealth. In the postindustrial society, the once despised entertainment industry has usurped that role. ■

Vita brevis, pecunia longa

Entertainers die, but that won't stop them from making money. Here, a sample of ten dead artists who are still raking it in.

Rank	Celebrity	($mil)	Source of income
1	Elvis Presley	$15.0	Graceland, licensing, records
2	Ian Fleming	7.5*	movies, book publ
3	John Lennon	5.0	music publ, record royalties
4	Jimi Hendrix	4.0	music publ, record royalties
5	T.S. Eliot	2.5	theater royalties, book publ
6	James Dean	1.2	licensing
7	Jim Morrison	1.0	music publ, record royalties
8	Marilyn Monroe	1.0	licensing, movies
9	John Wayne	0.7	licensing, movies
10	Abbott and Costello	0.4	licensing, movies

*Figure based on 42 month period ending June 1988. All other numbers are 1988 calendar year projections.

and everyone in the world knows it. When a piece gets burned, it's generally assumed that the hapless work of art has something wrong with it. Says Joan Washburn: "The more skillful the dealer is, the fewer people you need to show the artwork to."

The auction houses, of course, have their own advantages. The two giants, Sotheby's and Christie's, combine the most sophisticated marketing and expertise to be found. With worldwide exposure and experts in everything from doorknobs to diamonds, they provide the ease of one-stop selling.

Their contracts are similar, quoting a 10% commission on objects sold under the hammer for $5,000 or more and settlement within 35 days. And, as with so much in the art world, most items in the contract are negotiable. Chances of playing one house against the other for sweeter terms rise in direct proportion to the object's value. "It happens all the time," sighs Warren Weitman Jr., head of trusts and estates at Sotheby's.

Above all, start with a good appraisal from a disinterested third party. The Appraisers Association of America in New York can refer you to one. If you hire a dealer, make it clear he will not sell the work for you. Also consider lending the work to a museum exhibit. Contact curatorial departments for information. For a loan of two months you could add 15% to the value.—**Christie Brown**

Sotheby's Art Market Trends

Index sectors	Aug 1988	One month ago	One year ago	Two years ago	Five years ago	One month % change	One year % change	Two years % change	Five years % change	Five years average annual % change
Old Master paintings	403	403	349	303	217	nil	+15.5	+33.0	+85.7	+13.2
19th-century European paintings	361	361	303	250	197	nil	+19.1	+44.4	+83.2	+12.9
Impressionist & Post-impressionist art	1,091	1,091	661	432	298	nil	+65.1	+152.5	+266.1	+29.6
Modern paintings (1900-1950)	1,090	1,090	666	429	275	nil	+63.7	+154.1	+296.4	+31.7
Contemporary art (1945 onward)	728	728	597	524	366	nil	+21.9	+38.9	+98.9	+14.7
American paintings (1800–pre-WWII)	958	958	789	687	501	nil	+21.4	+39.4	+91.2	+13.8
Continental ceramics	407	407	320	290	272	nil	+27.2	+40.3	+49.6	+ 8.4
Chinese ceramics	684	684	550	486	445	nil	+24.4	+40.7	+53.7	+ 9.0
English silver	388	388	349	338	219	nil	+11.2	+14.8	+77.2	+12.1
Continental silver	260	260	201	192	156	nil	+29.4	+35.4	+66.7	+10.8
American furniture	469	469	452	380	239	nil	+ 3.8	+23.4	+96.2	+14.4
French & Continental furniture	355	355	319	285	249	nil	+11.3	+24.6	+39.8	+ 6.9
English furniture	784	784	594	447	309	nil	+32.0	+75.4	+153.7	+20.5
Aggregate index*	660	660	475	369	275	nil	+38.9	+78.9	+140.0	+19.1

Basis: 1975 = 100 ($).

©Sotheby's 1988

*Contemporary art was added to the Art Index in September 1987. The aggregate index excludes this category prior to that date.

Sotheby's Art Market Trends reflect subjective analyses and opinions of Sotheby's art experts, based on auction sales and other information deemed relevant. Nothing in Sotheby's Art Market Trends is intended as investment advice or as a prediction or guarantee of future performance or otherwise.

Coming attractions

A strong autumn season is in prospect at the major auction houses.

On Oct. 19 Christie's will offer a 407-carat diamond—second in size only to the Cullinan diamond. The stone was cut down from an 890-carat stone to make it flawless. With jewelry fetching record prices, the value of this stone is estimated at more than $20 million.

Christie's Nov. 9 sale will be a signal of price strength in the contemporary art market. The sale, expected to bring over $20 million, features "White Flag" by Jasper Johns and "Frieze" by Jackson Pollock. Less than a week later, on Nov. 14, Christie's will auction impressionist and modern works from the collection of William and Edith Goetz (her father was Louis B. Mayer) worth an estimated $50 million. Included is a bronze dancer by Degas (estimate, $8 million to $10 million) and paintings by Picasso, Monet, Cézanne and Modigliani.

Christie's

407-carat gem cut from 890-carat stone

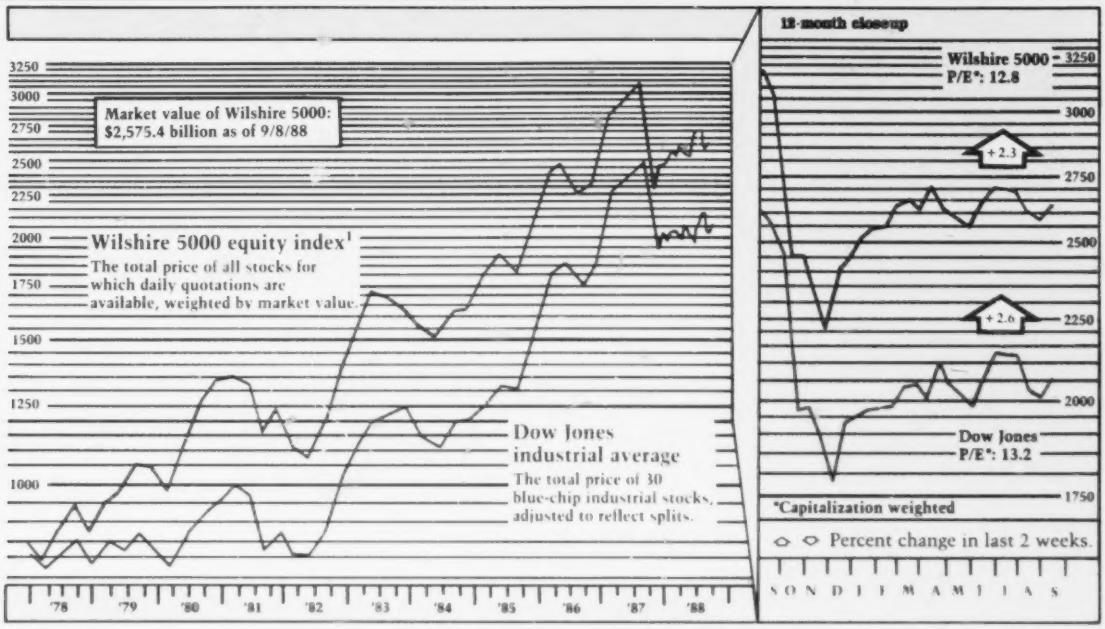
Sotheby's jewelry sale on Oct. 17 will star a 48-carat Burmese ruby (estimate, $15 million).

On Nov. 10 Sotheby's will auction paintings from the Victor Ganz collection. Included are six Picassos—among them, "Bird Cage" (estimate, $7 million to $10 million) and "Woman in a Red Hat" (estimate, $4 million to $5 million).

Sotheby's continues on Nov. 11 with the sale of important works by Renoir, Degas and Gauguin, among others. Degas' pastel "Lowering the Curtain" is estimated at $7 million to $9 million. Renoir's "Bather" is estimated at the same.

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



The bright side of dull news. The Dow posted a two-week gain of 2.6%, but it still closed 95 points below its July postcrash closing high. Wall Street isn't patently bearish, but the mood is more than a little sullen—lackluster trading volume and a new-issues market that looks all but dead. Presently, the number of IPOs has reached its lowest level in 12 months. There is, of course, a flip side to all this: A recent Salomon Brothers research report indicates that the decline in volume is not a cause for concern; what would be troublesome are declining prices on heavy volume. The fact that bearish investment advisers are sitting on loads of cash also has its cheery side—some of it could eventually enter the market. A hot market in new issues, in any case, is no guarantee of good times ahead. There was a 12-month high number of new offerings in September 1987, just before the October crash.

Closeup On the Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	1.1	1.4	1.2	1.3	0.1	0.2
in last 52 weeks	–15.3	–15.7	–19.9	–15.2	–15.5	–14.4

Stock performance based on six key investor yardsticks

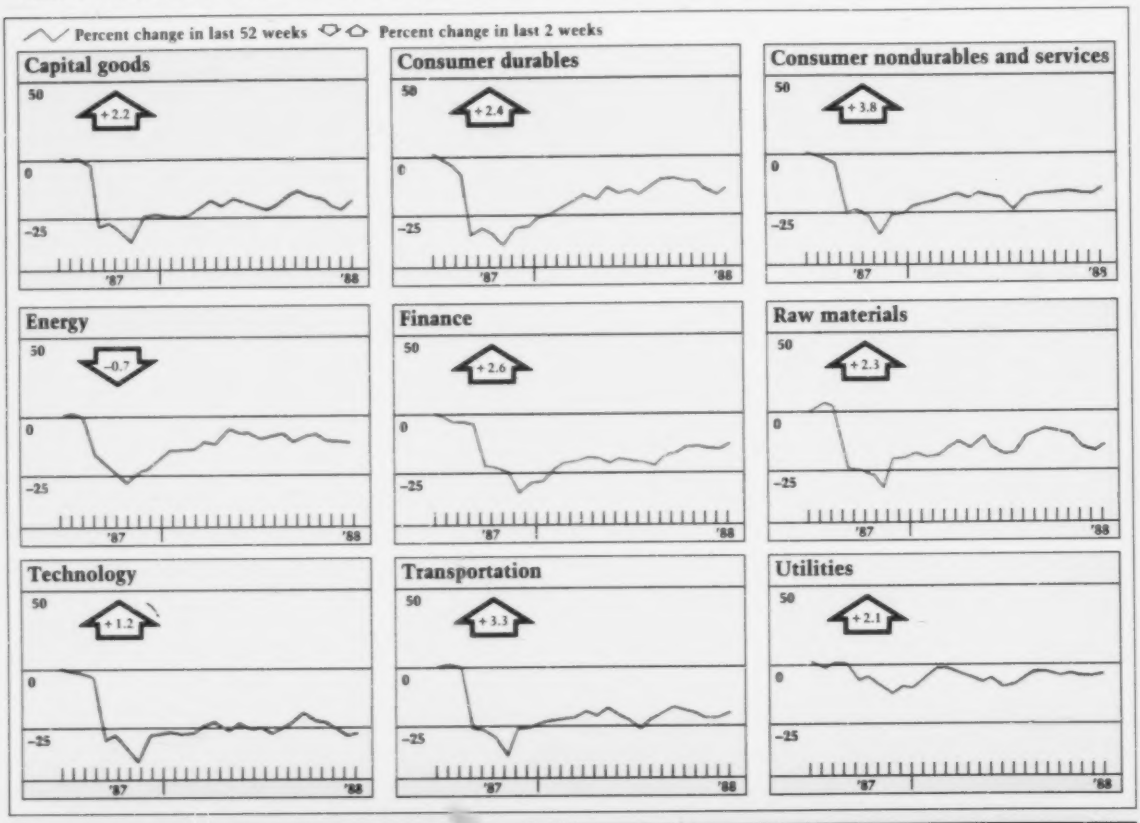
Percent change	Company size		Volatility[3]		P/E multiple		Dividend yield		Growth profile[4]		Share price	
	large	small	high	low	over 23	under 9	over 4.7%	none	high	low	over $35	under $4
in last 4 weeks	1.5	2.1	1.6	1.9	0.6	1.3	1.5	1.2	1.6	0.7	1.1	0.5
in last 52 weeks	–10.8	15.5	15.7	5.6	–8.1	–1.3	2.4	17.8	13.8	1.5	–7.2	9.2

[1]Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. [2]Based on sales. [3]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable. [4]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 9/8/88. Prepared by Wilshire Associates, Santa Monica, Calif.

Where the Action Is

Oil on the floor. As oil prices dropped, so did the prices of energy stocks. During the past two weeks this was the only sector to show a loss. Hardest hit was Odeco, an oilfield service firm, which lost over 10% of its market value. This stock traded at 55 in 1980 when its sales were almost $700 million. Shares now change hands for 15, while its sales have been trimmed to less than $400 million. Analysts expect Odeco to lose 85 cents per share this year. Other big energy losers were Baker Hughes, Dresser and Transco, all of which dropped by more than 5%. Not surprisingly, airline stocks staged a strong performance, since fuel costs account for 10% to 20% of their revenues. The transportation sector, which includes the airlines, advanced by 3.3% over the last two weeks.



What the Analysts Think

Fear of the unknown. Security analysts tend to be overly optimistic in their long-range forecasts. Not now. With a presidential election just around the corner, analysts project only a 10% gain in earnings for the Forbes Sales 500 in 1989. That's only about a quarter of the gain that they expect this year.

Forecasting the Forbes Sales 500

Performance period	Average earnings per share	P/E
latest 12 months	$3.19	11.9
1988 estimates	3.59	10 5
1989 estimates	3.96	9.6

Rank based on change in estimate	Sector	Estimated 1988 EPS	Estimated 1988 P/E	% change in 1988 estimate in 2 weeks	% change in 1988 estimate in 4 weeks
1	Energy	$3.06	11.9	0.59%	1.31%
2	Raw materials	3.19	9.5	0.54	1.40
3	Consumer durables	4.64	11.3	0.16	1.24
4	Capital goods	2.64	14.0	0.14	0.15
5	Consumer nondurables	2.44	13.4	-0.13	-0.37
6	Utilities	2.40	10.0	-0.22	-0.30
7	Technology	2.96	11.1	-0.28	-0.33
8	Finance	3.43	8.6	-0.29	-1.28
9	Transportation	2.32	11.2	-1.03	-1.61

Earnings projections are capitalization-weighted consensus estimates from over 3,000 security analysts. Data are compiled and updated continually by the Institutional Brokers Estimat : System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 9/8/88. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.